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TO RUEHC/SECSTATE WASHDC PRIORITY 4559
INFO RUCNFRG/FRG COLLECTIVE

UNCLAS BERLIN 000822

SENSITIVE

SIPDIS

STATE FOR PM/DTCC - BLUE LANTERN COORDINATOR (BALLARD)
STATE FOR EUR/CE PETER SCHROEDER

E.O. 12958: N/A

TAGS: [ETTC](#) [KOMC](#) [GM](#)

SUBJECT: BLUE LANTERN REONSE: POST-SHIPMENT END-USE CHECK
ON LICENSE 050174850

REF: STATE 62847

¶1. (SBU) Regarding Blue Lantern end-use check 050174850, we assess Grauwolf is in compliance with USML controls and a reliable recipient of USML items. Grauwolf provided satisfactory answers to all ref inquiries in a timely manner.

We independently verified with the Ludwigau Office of Trade and Industry that Grauwolf is a legitimate German enterprise.

Wolfgang Grau, CEO of Grauwolf, is very motivated to expedite their license request with Graf and Sons Inc and indicated his willingness to respond to any further questions that may come up. Grau said he is familiar with USG regulations governing the import of US-origin defense articles.

ABOUT GRAUWOLF

¶2. (SBU) Grauwolf was started in June 2004 by Wolfgang Grau to supply German hunters, reloaders and gun enthusiasts with small arms related sporting and hunting equipment. Grauwolf is a re-seller of small arms articles from German wholesalers and U.S. imports from Graf and Sons Inc. Grauwolf's customer base is 98 per cent concentrated in the German domestic market and two per cent composed of sales to customers in other EU countries.

¶3. (SBU) Grau estimates that in his company's first three years of business, it turned over 150,000 euros in sales. He emphasized that while sales in the first couple of years were sluggish, they have since picked up considerably, particularly with regard to demand for U.S. origin items. Grau attributes the increased interest in his company's products to the opening of his company to internet business at the end of 2008 (www.grauwolf.net). Grau anticipates sales on the order of 500,000 to 750,000 euros for the next three years.

PAST LICENSES AND CURRENT SITUATION

¶4. (SBU) Grau said his company previously obtained four minor licenses to import "mainly gunstocks" with various partners in the U.S. and one major license with Graf and Sons Inc (DOS 964981), issued three years ago and valued at \$750,000 to import bullets, bullet casings, and rifle/pistol parts. The Graf and Sons Inc license expired on June 6, 2009 and Grau is highly motivated to renew it, this time for \$1,250,000 in response to increased customer demand.

Details on license DOS 964981 (expired 06/06/09):
Rifle and Pistol Brass -- \$125,000
Rifle and Pistol Bullets -- \$80,000
Minor Gun Parts -- \$250,000

INDEPENDENT VERIFICATION OF GRAUWOLF

¶5. (SBU) On June 2, Econoff contacted the Office for Trade and Industry in Ludwigsau, Germany to verify the bona fines of Grauwolf. The representative from the Office for Trade and Industry confirmed Grauwolf's registration with them since 2004 and indicated personal familiarity with Grauwolf.
Koenig